GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5739
ANSWERED ON:02.05.2003
PRIVATE INSURANCE COMPANIES
DR. KIRIT SOMAIYA

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether IRDA has taken note of private insurance companies which have stared declaring bonus to policy holders;

(b) if so, the names of companies which have declared bonus recently;

(c) whether it has been declared as per the guidelines;

(d) if not, the reasons for declaring bonus in spite of incurring loss; and

(e) the measures the Government and IRDA have taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) and (b) The Insurance Regulatory and Development Authority (IRDA) has informed thathe following private life insurance companies have declared bonus recently for the year ended 31st March, 2002:â€”

(i) HDFC Standard Life Insurance Company Limited;

(ii) ING Vysya Life Insurance Company Limited;

(iii) SBI Life Insurance Company Limited; and

(iv) Tata-AIG Life Insurance Company Limited.

(c) to (e) Section 49 of the Insurance Act, 1938 deals with the declaration of bonus, on valuation of the life insurance business, on the data of valuation. IRDA has informedthat normally bonus to policyholders is declared by life insurers from the actuarial valuation of surplus. For a new life insurance company, it may take seven to eight years to make profits. However, in order to show its commitment to the policyholders and to the market, the new life insurance companies declare a small bonus to the policyholders from out of the shareholder`s funds (viz., share capital). The IRDA (Actuarial Reportand Abstract) Regulations, 2000 provide for such a transfer. The IRDA has informed that such a transfer must be shown explicitly in the accounts and also that amounts so declared cannot be restored to shareholders in the future when profits are made. In other words, the unilateral transfer to policyholders is not recoverable. Moreover, the insurers have also to comply with IRDA (Assets,Liabilities and Solvency Margins of Insurers) Regulations, 2000.